

DISCLAIMER OF CONTROL

Pursuant to (i) Section 284-18-430 and Section 284-18A-410 of the Washington Administrative Code (the "WAC"), (ii) Section 3 AAC 21.130 of the Alaska Administrative Code (the "AAC"), and (iii) Section 836-027-0025 of the Oregon Administrative Rules (the "OAR"), application is hereby made on behalf of the [Washington Foundation Shareholder], a to be formed Washington non-profit corporation (the "Foundation Shareholder") and the [Alaska Health Foundation], a to be formed Alaska non-profit corporation (the "Alaska Health Foundation"; the Washington Foundation Shareholder and the Alaska Health Foundation are collectively referred to herein as the "Foundation Shareholders") for a determination by the Insurance Commissioner of the State of Washington (the "Commissioner"), the Alaska Division of Insurance and the Oregon Insurance Division, respectively, that upon the consummation of the various transactions (collectively, the "Conversion Transaction") set forth in the Statement Regarding the Acquisition of Control of a Domestic Health Carrier and a Domestic Insurer (the "Form A"), dated September 17, 2002, and amended on February 5, 2004, filed concurrently with the Commissioner, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division on behalf of [New PREMIERA Corp.], a to be formed Washington for-profit corporation ("New PREMIERA"), the Foundation Shareholders will not be deemed to "control" the following entities:

(i) New PREMIERA, [New Premera Blue Cross Corp.], a to be formed Washington for-profit corporation ("New PBC"), LifeWise Assurance Company, a Washington for-profit insurance company ("LWA"), [New LifeWise Washington Corp.], a to be formed Washington for-profit health care service contractor ("New LifeWise Washington"), and LifeWise Health Plan of Arizona, Inc., a Washington for-profit insurance company ("LW-AZ"), within the meaning of Section 48.31B.005(2) and Section 48.31C.010(3) of the Revised Code of Washington (the "RCW"), as applicable;

(ii) Premera Blue Cross Blue Shield of Alaska, an Alaska for-profit insurance company ("PBC-AK"), within the meaning of Section 21.22.200(3) of the Alaska Statutes (the "AS"); and

(iii) LifeWise Health Plan of Oregon, Inc., an Oregon for-profit insurance company ("LifeWise Oregon", and together with New PBC, LWA, New LifeWise Washington, LW-AZ and PBC-AK, collectively, the "Acquired Companies"), within the meaning of Section 732.548(2) of the Oregon Revised Statutes (the "ORS").

Upon the consummation of the Conversion Transaction, each of the Acquired Companies will be direct or indirect wholly owned subsidiaries of New PREMIERA.

After the completion of the Conversion Transaction, the Foundation Shareholders collectively will own 100% of the initial capital stock of New PREMERA and New PREMERA will directly or indirectly "control" each of the Acquired Companies.

The following information is provided in respect of the Foundation Shareholders and New PREMERA pursuant to (i) Section 284-18-430 and Section 284-18A-410 of the WAC, (ii) Section 3 AAC 21.130 of the AAC, and (iii) Section 836-027-0025 of the OAR:

(a) The number of authorized, issued, and outstanding voting securities of the subject.

(a) New PREMERA will have the authority to issue one hundred million one (100,000,001) shares, which shall consist of (a) ninety million (90,000,000) shares of common stock, no par value per share (the "Common Stock"); (b) one (1) share of Class B common stock, no par value per share (the "Class B Common Stock"); and (c) ten million (10,000,000) shares of preferred stock, no par value per share (the "Preferred Stock"), each share having one vote, of which • shares of Common Stock and one share of Class B Stock will be issued and outstanding upon the consummation of the Conversion Transaction, representing 100% of the capital and voting power of New PREMERA at such time. New PREMERA will in turn directly or indirectly own 100% of the issued and outstanding voting securities of each of the Acquired Companies.

(b) With respect to the person whose control is denied and all affiliates of such person, the number and percentage of shares of the subject's voting securities which are held of record or known to be beneficially owned, and the number of such shares concerning which there is a right to acquire, directly or indirectly.

(b) Upon the consummation of the Conversion Transaction, the Foundation Shareholders will beneficially own • shares of the Common Stock of New PREMERA and the Washington Foundation Shareholder will own one share of the Class B Common Stock, representing 100% of the voting power and capital of New PREMERA at such time. The Foundation Shareholders will not hold of record or beneficially own any of the voting securities of any of the Acquired Companies. No affiliate of the Foundation Shareholders will hold of record or beneficially own any of the voting securities of New PREMERA or any of the Acquired Companies. Neither the Foundation Shareholders, nor any of their affiliates, have any rights to acquire, directly or indirectly, any voting securities of New PREMERA or any of the Acquired Companies, except for such dividends payable in voting securities or stock splits as may be declared by the Board of Directors of New PREMERA from time to time in the future.

(c) All material relationships and bases for affiliation between the subject and the person whose control is denied and all affiliates of such person.

(c) Except for the shareholding referred to in paragraph (b) above and the right of the Foundation Shareholders to appoint one member to the New PREMERA Board of Directors, there are no other material relationships or bases for affiliation between New PREMERA and the Acquired Companies, on the one hand, and the Foundation Shareholders and their affiliates, on the other.

(d) A statement explaining why such person should not be considered to control the subject.

(d) Although the Foundation Shareholders will initially own 100% of the Common Stock of New PREMERA upon the consummation of the Conversion Transaction, it should not be deemed to "control" New PREMERA and/or the Acquired Companies within the meaning of (i) Sections 48.31B.005(2) and Section 48.31C.010(3) of RCW, Section 21.22.200(3) of the AS and Section 732.548(2) of the ORS, respectively, because the Foundation Shareholders and their affiliates will have limited voting power in respect of the New PREMERA Common Stock, and will, other than as described in Section (c) above, not have any role in the management or affairs of New PREMERA and/or the Acquired Companies, as a result of the restrictions imposed pursuant to the Voting Trust and Divestiture Agreements, the forms of which are attached as Exhibit G-4 to the Form A (the "Voting Trust Agreements"), one to be entered into by the Washington Foundation Shareholder, New PREMERA and the [Trustee], a • corporation (the "Washington Trustee") and the other to be entered into by the Alaska Health Foundation, New PREMERA and the [Trustee], a • corporation (the "Alaska Trustee"; the Washington Trustee and the Alaska Trustee are collectively referred to as the "Trustees"). Pursuant to the Voting Trust Agreements, the Foundation Shareholders will deposit 95% of the voting power of all New PREMERA Common Stock (except as otherwise provided by the terms of the Voting Trust Agreements) into voting trusts (the "Voting Trusts") administered by the Trustees. While retaining an economic interest in the New PREMERA Common Stock, they will delegate the voting rights pertaining to the New PREMERA Common Stock held in the Voting Trusts to the Trustees. Shares held in the Voting Trusts may be voted as follows:

- The Trustees must vote the New PREMERA Common Stock held in the Voting Trusts for nominees to the New PREMERA Board of Directors (the "New PREMERA Board") as approved by the majority of the independent directors of the New PREMERA Board, and against any nominee for director for whom no competing candidate has been nominated or selected by an independent majority of the New PREMERA Board.
- The Trustees must vote the New PREMERA Common Stock held in the Voting Trusts against removal of any New PREMERA directors, unless removal is initiated by or with the consent of an independent majority of the New PREMERA Board.
- With respect to employee compensation plans (other than the initial equity

incentive plan (found at Exhibit G-10 of the Form A), as to which all of the New PREMERA Common Stock held by the Foundation Shareholders inside and outside of the Voting Trusts shall be voted in accordance with the recommendation of an independent board majority, or a subsequent amendment to said initial equity incentive plan or any new Stock-Based Program (as defined in Exhibit G-10 to the Form A) that would be effective during the Stock Restriction Period (as defined in Exhibit G-10 to the Form A), provided that any such new Stock-Based Program shall not have been submitted for a shareholder vote prior to the date which is twelve (12) months prior to the end of the Stock Restriction Period, as to which the Trustees shall vote all Common Stock held in the Voting Trusts as directed by their respective Foundations) and with respect to precatory stockholder proposals, the Trustees will vote all of New PREMERA Common Stock held in the Voting Trusts in the same proportion as the shares voted by all holders of New PREMERA Common Stock other than the Foundation Shareholders and directors, officers, trustees of any employee benefit plan of New PREMERA and affiliates of New PREMERA.

- If the matter concerned is a change of control proposal approved by the New PREMERA Board, a subsequent amendment to the initial equity incentive plan or any new Stock-Based Program that would be effective during the Stock Restriction Period, provided, that any such new Stock-Based Program shall not have been submitted to a shareholder vote for approval prior to the date which is twelve (12) months prior to the end of the Stock Restriction Period, the Trustees shall vote all New PREMERA Common Stock held in the Voting Trusts as directed by their respective Foundations.
- On all other matters, the Trustees will vote the New PREMERA Common Stock held in the Voting Trusts as recommended by an independent majority of the New PREMERA Board.

In addition to the New PREMERA Common Stock, the Washington Foundation Shareholder will also own the one share of New PREMERA Class B common stock issued in connection with the Conversion Transaction. Pursuant to the terms of the New PREMERA Articles of Incorporation and the Voting Trust Agreements, the affirmative vote of the Washington Foundation Shareholder, as the holder of the Class B common stock, is required for the following actions: (i) a recapitalization or restructuring of the New PREMERA capital stock; (ii) the creation of a new class of capital stock or a series of preferred stock; or (iii) the issuance of additional shares of New PREMERA capital stock that, in any of cases (i), (ii) or (iii) would adversely affect the financial interests, voting rights or transferability of the Washington Foundation Shareholder's shares of capital stock.

The Voting Trust Agreements also permit the Washington Foundation Shareholder (for so long as it continues to hold 5% or more of the outstanding New PREMERA Common Stock, but in no event for a period of more than five years) and the

Alaska Health Foundation (for so long as it continues to hold 5% or more of the outstanding New PREMERA Common Stock, but in no event for a period of more than five years) to jointly nominate a director to the New PREMERA Board, following the completion of the Conversion Transaction. Under the terms of the Voting Trust Agreements, the Foundation Shareholders have the right to jointly propose a slate of three individuals from which the New PREMERA Board will choose one individual to serve. If none of the proposed individuals are reasonably acceptable to the New PREMERA Board, such board must promptly notify the Washington Foundation Shareholder and the Alaska Health Foundation, as applicable, of its determination and the Foundation Shareholders will propose one or more additional individuals from which the New PREMERA Board will choose. The Voting Trust Agreements also provide that the Foundation Shareholders' designated New PREMERA Board member will meet with the boards of the Foundation Shareholders on at least a quarterly basis and discuss matters related to the Foundation Shareholders' investment for as long as that Foundation Shareholder continues to hold 20% or more of the outstanding shares of the New PREMERA Common Stock.

Any voting securities of New PREMERA and/or the Acquired Companies that may be owned by the Foundation Shareholders in the future as a result of a stock dividend or stock split declared by the Board of Directors of New PREMERA, and held in the Voting Trusts, will also be subject to the provisions of the Voting Trust Agreements. Consequently, other than as outlined above, the Foundation Shareholders will not be able to take any action as shareholder which would have the effect of allowing the Foundation Shareholders to direct the management or affairs of New PREMERA or the Acquired Companies.

Moreover, other than as described below in connection with the divestiture of the New PREMERA stock, the Foundation Shareholders and their affiliates will not have any business relationship with New PREMERA. Pursuant to the Transfer, Grant and Loan Agreement, the form of which is attached as Exhibit G-3 to the Form A, to be entered into by the Foundation Shareholders and New PREMERA, the principal activity of the Foundation Shareholders will be to promote the health and welfare of the citizens of Washington and Alaska through the use of proceeds derived from the sale of their New PREMERA stock over time. Such sales of New PREMERA stock will be governed by the Registration Rights Agreement, the form of which is attached as Exhibit G-5 to the Form A, to be entered into by the Foundation Shareholders and New PREMERA. Pursuant to the Registration Rights Agreement, New PREMERA will be obligated to periodically register certain amounts of New PREMERA stock at the request of one or both of the Foundation Shareholders with the Securities and Exchange Commission. The Registration Rights Agreement only requires New PREMERA to undertake such periodic registrations and does not otherwise give the Foundation Shareholders any rights regarding the management or policies of New PREMERA.

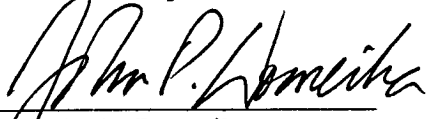
In light of the provisions of the Voting Trust Agreements and other aspects of the relationship between the Foundation Shareholders and New PREMERA

described herein, it is respectfully submitted that the Foundation Shareholders and their affiliates will not possess the direct or indirect power to direct or cause the direction of the management and policies of New PREMERA and/or the Acquired Companies, whether through the ownership of voting securities, voting rights, by contract other than a commercial contract for goods, nonmanagement services, a debt obligation which is not convertible into a right to acquire a voting security, or otherwise.

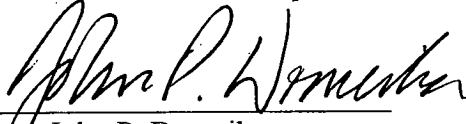
[remainder of this page left intentionally blank]

Pursuant to the requirements of Section 284-18-430 and Section 284-18A-410 of the WAC, the [WASHINGTON FOUNDATION SHAREHOLDER] and the [ALASKA HEALTH FOUNDATION] have caused this DISCLAIMER OF CONTROL to be duly signed on its behalf in Seattle, Washington on this 5th day of February, 2004.

PREMERA, on behalf of the
[WASHINGTON FOUNDATION
SHAREHOLDER]

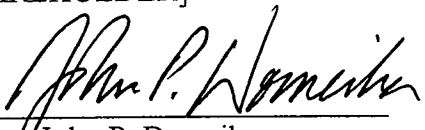
By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel

PREMERA, on behalf of the [ALASKA
HEALTH FOUNDATION]


By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel

Pursuant to the requirements of Section 3 AAC 21.130 of the AAC, the [WASHINGTON FOUNDATION SHAREHOLDER] and the [ALASKA HEALTH FOUNDATION] have caused this DISCLAIMER OF CONTROL to be duly signed on its behalf in Seattle, Washington on this 5th day of February , 2004.

PREMERA, on behalf of the
[WASHINGTON FOUNDATION
SHAREHOLDER]

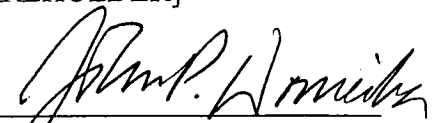
By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel

PREMERA, on behalf of the [ALASKA
HEALTH FOUNDATION]


By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel

Pursuant to the requirements of Section 836-027-0025 of the OAR, the [WASHINGTON FOUNDATION SHAREHOLDER] and the [ALASKA HEALTH FOUNDATION] have caused this DISCLAIMER OF CONTROL to be duly signed on its behalf in Seattle, Washington on this 5th day of February, 2004.

PREMERA, on behalf of the
[WASHINGTON FOUNDATION
SHAREHOLDER]

By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel

PREMERA, on behalf of the [ALASKA
HEALTH FOUNDATION]

By: 
Name: John P. Domeika
Title: Senior Vice President & General
Counsel